

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: ECONOMICS MINISTER FOURCADE ON EXTERNAL
FINANCIAL MATTERS

REF: PARIS 10475

DURING HIS APRIL 23 APPEARANCE BEFORE ASSEMBLY FINANCE
COMMITTEE AND HIS APRIL 24 PRESS CONFERENCE ON FRENCH
ECONOMIC RECOVERY PROGRAM (REFTEL), ECONOMICS AND
FINANCE MINISTER FOURCADE MADE FOLLOWING COMMENTS ON
VARIOUS EXTERNAL FINANCIAL MATTERS.

1. CURRENT WEAKNESS OF DOLLAR ON EXCHANGE MARKETS IS
OF GREAT CONCERN. IF DOLLAR RATE WERE TO REMAIN FOR ANY
PERIOD OF TIME AT AROUND 4 FRANCS, THIS WOULD REALLY
CREATE DIFFICULTIES FOR FRENCH EXPORTERS. INDEED, THIS
NEW WEAKNESS OF DOLLAR IS PREJUDICIAL TO ECONOMIC
RECOVERY IN EUROPE. "I HOPE," SAID FOURCADE, "THAT
GOVERNMENT AUTHORITIES EVERYWHERE (READ U.S.) WILL DIS-
PLAY SAME DEGREE OF PERSEVERANCE AND SAME CONTINUITY AS
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FRENCH GOVERNMENT."

2. DESPITE STRONG PERFORMANCE OF FRANC AGAINST DEUTSCHEMARK RECENTLY, FRANCE HAS NO PLANS FOR EARLY RETURN TO EUROPEAN MONETARY "SNAKE." FOURCADE EXPRESSED VIEW THAT PRESENT SITUATION ON WORLD OIL MARKET TENDING TO DEPRESS PRICES IS ONLY TEMPORARY, AND THEN COMMENTED THAT IF WESTERN INDUSTRIAL RECOVERY WERE TO RESULT IN A REVERSAL OF OIL PRICE TRENDS, FRANCE WOULD BE GLAD TO BE OUT OF THE "SNAKE." (COMMENT: IMPLICATION OF THIS REMARK WOULD SEEM TO BE THAT FRANCE WISHES TO RETAIN FREEDOM TO LET FRANC DEPRECIATE MORE THAN WOULD BE POSSIBLE IN AN ARRANGEMENT WHERE IT WOULD BE TIED TO STRONG EUROPEAN CURRENCIES.) HOWEVER, ON PURELY PRACTICAL BASIS, FRENCH EXCHANGE RATE POLICY WILL BE CONDUCTED AS IF FRANC WERE IN THE "SNAKE."

3. PRELIMINARY DATA INDICATE THAT FRENCH BALANCE OF PAYMENTS WAS IN EQUILIBRIUM DURING FIRST QUARTER OF 1975. HOWEVER, THERE IS LIKELY TO BE SOME DETERIORATION IN SUBSEQUENT MONTHS. (COMMENT: IT IS DIFFICULT TO KNOW WHAT "BALANCE" FOURCADE WAS TALKING ABOUT. DESPITE STRONG PERFORMANCE OF FIRST QUARTER TRADE ACCOUNT (PARA 6, PARIS 9996), IT SEEMS UNLIKELY THAT TRADE SURPLUS WAS ENOUGH TO OFFSET DEFICIT OF CURRENT INVISIBLES AND UNILATERAL TRANSFERS.)

4. FRENCH EXTERNAL BORROWING AMOUNTED TO 16 BILLION FRANCS IN 1974. ESTIMATES ARE THAT ANOTHER 8 BILLION FRANCS WILL BE BORROWED EXTERNALLY IN 1975. RUSH

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